

Meeting Report
Budget Review Meeting
Wednesday, November 10, 2010
Penn Room

Attending: J. Waltman, V. Spencer, Acosta, D. Reed, S. Marmarou, M. Goodman-Hinnershitz, L. Kelleher, D. Cituk, C. Younger, C. Geffken, T. McMahon, F. Denbowski

Mr. Acosta, Finance Chair, called the meeting to order at approximately 4:40 p.m.

Property Tax Billing & Collection

Mr. Geffken stated that he is reviewing the data submitted by the County Treasurer and will provide copies of the proposals from Portnoff and the County Treasurer on Saturday morning. He also announced that he called Berks EIT to arrange a meeting with Council for Monday, November 15th.

Delinquent EIT Collections

Mr. Geffken reported that Linebarger has been unresponsive to requests for updates and information. Therefore the City will work to break the contract with Linebarger and search for a firm to replace them. He stated that their work to date has not progressed on par with the City's expectations, as they have failed to begin collections activities beyond Per Capita and Housing Permits.

Mr. Geffken explained that the City will begin to use Berks EIT for EIT collections one year prior to that required of all municipalities under Act 32. He stated that the State legislators believe that the change to the use of one tax collector per County is expected to improve collections as the single party overseeing collections for the County will be able to more easily identify those who are not filing returns.

Other Miscellaneous Collections

Mr. Cituk expressed the belief that all necessary adjustments have occurred to various line items.

Contingency

Mr. Geffken stated that he agrees with reducing the Contingency line item to \$774K, a reduction of \$175K. He stressed the need for the City to have some funding set aside for unknown matters.

Property Tax Increase

Mr. Acosta noted the need for Council to weigh in regarding their comfort level with the proposed property tax increase of 20%. He stated that a further reduction would require

additional adjustments in revenues and expenditures.

Ms. Reed expressed the belief that further savings should be identified as the City's taxpayers are already pushed to the limit. She suggested that Council and the Administration define the City's core services. She stated that until the core services are defined, Council and the Administration will continue to struggle during budget discussions.

Mr. Geffken stated that the 20% increase provides the cushion contained in the Contingency line item.

Ms. Goodman-Hinnershitz stated that she is not sure more savings can be identified in a slash and burn fashion.

Mr. Spencer stated that he is unsure about the increase as many other Act 47 cost saving initiatives are not implemented. He stated that the plan suggests shifting some services over to the existing Authorities to provide the City with financial relief.

Ms. Reed stated that she sat in last year's budget discussions and noted that an entire year has gone by without Council and the Administration defining its core services. She stated that the City taxpayer needs relief and that we cannot continue to budget without defining the City's core services. She suggested that Council and the Administration meet monthly to discuss and define these services beginning in January 2011.

Mr. Geffken reported that the Department Directors went through the exercise of defining core services but that information has not been shared with Council. He suggested sharing the information and obtaining Council's input.

Ms. Goodman-Hinnershitz stated that eliminating all services but Property Maintenance, Fire and Police will not solve the City's problems. She suggested eliminating the Contingency line item and reducing the property tax increase to 15%.

Mr. McMahon stated that the Administration is working to seek relief of park maintenance needs through other organizations and working to fund Recreation through a Commission. He expressed the belief that the State Legislators will shift state legislation and policy and provide relief to cities when they begin the next legislative session. He suggested keeping the tax increase at the 20% level.

Mr. Spencer expressed the belief that Fire and Police are the City's main core services. He agreed to work through 2011 to define the remaining core services.

Mr. Acosta stressed the need for Council to express their opinions on approving the 20%

property tax increase.

Mr. Waltman stated that he believes that the average citizen cannot afford a 20% increase when they are also experiencing an increase in EIT and other fees. He noted the need for the taxpayer to see some return for the additional tax burden.

Mr. Spencer stated that he is unsure if reducing the tax increase to 15% would be wise as there are too many unknown vulnerabilities that appear during the course of a budget year.

Mr. Waltman noted that the original Act 47 plan called for a high property increase; however that was reduced after adding increased contributions from RAWA and the RPA. He stated that the Act 47 Recovery Plan calls for various cost savings through 2010 and 2011; however, many of those activities were not implemented. He suggested lowering the proposed tax increase.

Ms. Reed agreed that taxpayers cannot continue to pay more without any improvement in services.

In response to Mr. Spencer's question, Mr. McMahon stated that a house assessed at \$15K would pay an average of \$4 per month if the property tax was increased by 20%. Mr. Geffken displayed a spreadsheet showing the effect of various homes assessed values.

Ms. Goodman-Hinnershitz stated that the group these increases will hit the hardest is the working class, as senior citizens can get some relief through the State's rebate program from home owners and renters.

Mr. McMahon stated that further reductions will mean reduced police manning levels.

Ms. Reed agreed that the continued increases in taxes without any return on investment will continue to push the middle class into the surrounding municipalities where taxes are much more affordable.

Mr. Spencer noted that citizens do not trust their government any longer, as the City continues to mishandle services and continues to operate inefficiently. He used the housing permit process as an example. He stated that until the City improves its performance the middle class will continue to move away from Reading.

Mr. McMahon stated that he will not agree to a reduction of the proposed property tax rate due to the negative economic impact that would occur.

In response to a question from Mr. Marmarou, Ms. Reed and Ms. Goodman-Hinnershitz

reported that the 2000 census data shows the average Reading resident earns approximately \$28K per year.

Mr. Waltman again noted that the City has failed to provide a return of investment in many neighborhoods. He noted the many mismanaged initiatives such as the housing permit process and lack of EIT delinquent collection. He stated that these issues are ignored through a serious lack of leadership by the Administration.

Mr. Geffken stated that the City collects \$29,492,519 in EIT and Property Tax; however Police and Fire services cost the City \$40.2M.

Mr. Spencer and Mr. Marmarou expressed the belief that a reduction to 15% would not provide much relief to the taxpayer and stated that they are comfortable with the 20% increase.

Mr. Acosta stated that many people believe that government officials do not have a clue about what they are doing. He suggested that the Mayor develop goals and objectives that will provide taxpayers with some return of services.

Ms. Goodman-Hinnershitz agreed with the need to define core services. She stated that she personally does not approve of a 20% property tax increase but does not see how it can be avoided without serious reductions.

Ms. Reed stated that she cannot support a 20% increase without a guarantee that the Administration will achieve their goals and provide some return to the taxpayer.

Mr. Waltman and Mr. Spencer agreed with the need for the Administration to identify goals for 2011 and then report monthly on their work to achieve the stated goals. Mr. Specer suggested that the Mayor and Managing Director use their reports at Council meetings to inform the taxpayers about their achievements.

Mr. Marmarou noted the need for City employees to be City residents. Mr. Geffken stated that for 2011 the City will employ approximately 610 people and only about 20% of those people reside in the City.

Ms. Kelleher noted that the group hardest hit will be the City employee who is a City resident, as the City employee will be paying more for parking and health care costs on one side then increased EIT and property taxes. She suggested creating incentives to spur residency such as property tax rebates, decreased healthcare contribution, and decreased recycling fees, etc for City employees who are City residents.

Ms. Kelleher also agreed with the statements by Ms. Reed and Mr. Waltman. She stated that in her neighborhood, Council District 4, she has seen a dramatic increase of people moving to surrounding municipalities due to the drastic increase in taxes without any comparable improvement in City services.

Mr. McMahon agreed to develop a list of goals and objectives and to report on their achievement monthly.

Ms. Goodman-Hinnershitz suggested that Council participate in educating the taxpayer about goals and objectives.

Mr. Waltman noted the serious lack of leadership from the Administration over the last seven (7) years. As example, he reminded everyone that the housing permit process was created in 2005 and severely mismanaged over the last six (6) years. He questioned why the Administration would wait until 2010-11 to fix this broken process.

Mr. Marmarou stressed the need for the Administration to improve their collection of PILOTS. Mr. Denbowski reported that a workgroup is addressing this issue. Mr. Geffken stated that the City is considering the use of PILOTS or SILOTS (Services In Lieu of Taxes) payments.

Mr. Acosta noted the need for the Mayor to reconnect with Reading taxpayers about goals and objectives for 2011 before Council approves the budget and the supporting tax increases.

Mr. Geffken reviewed the initiatives in the Act 47 Recovery Plan for 2010 and 2011 and explained how they are being prioritized.

Mr. Acosta stated that a Budget Review meeting will be held on Saturday, November 13th beginning at 10 a.m. He stated that Council will review the property tax billing/collection proposals from Portnoff and the County Treasurer.

The meeting adjourned at approximately 6:15 p.m.

Respectfully submitted by Linda A. Kelleher CMC, City Clerk